

**MINUTES OF MEETING
NORTH SUMTER COUNTY
UTILITY DEPENDENT DISTRICT**

The Special Meeting of the Board of Supervisors of the North Sumter County Utility Dependent District was held on Friday, December 7, 2012 at 9:00 a.m. at the District Office Board Room, 1894 Laurel Manor Drive, The Villages Florida, 32162.

Board members present and constituting a quorum:

Gary Davis	Chairman
Fred Gibbons	Vice Chairman
Charlie Smith	Board Director
Erik Greulach	Board Director
Diane Spencer	Board Director
Patricia Francis	Board Director

Staff Present:

Janet Tutt	District Manager
Diane Tucker	Administrative Operations Manager
Archie Lowry	District Counsel
David Miles	Finance Director
Jennifer McQueary	District Clerk
Brittany Wilson	Executive Assistant
Candice Lovett	Staff Assistant

FIRST ORDER OF BUSINESS: **Call to Order**

A. Roll Call

Chairman Davis called the meeting to order at 9:00 a.m. and stated for the record that six (6) of the Board Directors were present representing a quorum. Nick Hemes was absent.

B. Pledge of Allegiance

The Chairman led the Pledge of Allegiance.

C. Audience Comments

There were no audience comments.

**SECOND ORDER OF BUSINESS: Adoption of Resolution 13-11 Amending and Restating
Chapter I of the District's Rule**

A. Staff Overview and Recommendation

Janet Tutt, District Manager, thanked Staff and District Counsel for the work completed to prepare and assemble the agenda items brought before the Board today. Ms. Tutt stated Resolution 13-11 will amend and restate Chapter I of the District's Rate Rule inclusive of the non-substantive changes necessary to incorporate the solid waste operations into the Rule and delineate between the two (2) systems. Ms. Tutt stated the substantive changes to the Rate Rule begin on page 23 and continue through page 25. The Rate Rule provided will only be effective subject to the purchase of the solid waste operations. Ms. Tutt advised the rates incorporated into the Rate Rule are the current rates paid by the residents and are reflected in Schedule D. The rates will continue as stated in the Rate Rule until a Consumer Price Index (CPI) rate increase is deemed necessary by this Board as is provided for in the Rate Rule. Ms. Tutt stated the valuation includes a rate increase in 2014; however, Staff feels as a result of the deal negotiated that the rate increase will not be necessary. Staff included the same 5% late payment penalty fee for solid waste operations that was initiated by this Board for the utilities.

Chairman Davis requested confirmation that Staff is highly confident of the information provided in the Resolution and Staff recommends proceeding at this time. Ms. Tutt confirmed Chairman Davis' comment and stated the valuations prepared were based on the information included in the Rate Rule before the Board today.

Vice Chairman Gibbons thanked Staff for providing flexibility in the Rate Rule to address issues that can become a concern; such as, volatile fuel costs and health care costs which can have an affect on the sub-contractors. Ms. Tutt stated the Board has the ability to increase rates up to the CPI without having to complete a Rate Rule change; however, the Board has the ability to restructure the rates via a Rate Rule amendment. Vice-Chairman Gibbons stated the rates charged for the solid waste services will generate the necessary revenue to pay the annual bond payments. Ms. Tutt stated based on the valuation adequate dollars will remain to provide a reserve fund. The contracts with OMI and Waste Management are two (2) year fixed contracts and are renewable at the same rate at the District's option. The two (2) year period was at the District's request because a new landfill has been constructed in

Sumter County and the District has participated in meetings with Marion County discussing the landfill which has a tremendous life expectancy and Staff anticipates this to be a potential financial alternative to Waste Management hauling to Georgia.

B. Open Public Hearing to Receive Public Comment

Chairman Davis opened the Public Hearing for comment at 9:16 a.m.

C. Close Public Hearing

Receiving no comment Chairman Davis closed the Public Hearing at 9:17 a.m.

D. Board Determination

On MOTION by Charlie Smith, amended by Diane Spencer to accurately reflect the adoption of Resolution 13-11, seconded by Patricia Frances, the Board Amended and Restated the North Sumter County Utility Dependent District Chapter I Rule providing for Water, Irrigation Water and Wastewater User Fees and Charges and Operating Policies and Procedures to incorporate Solid Waste Operations.

Board Director Frances left the meeting at 9:18 a.m., a quorum of five (5) Board Directors were present.

THIRD ORDER OF BUSINESS:

Determination that the purchase of the Sumter Sanitation Solid Waste Operation is in the public interest

Ms. Tutt stated while Florida Statute Chapters 189 and 190 have no requirements to meet any standards such as provided; for the purchase the North Sumter County Utility Dependent District has utilized the following determination as its litmus test to guarantee the purchase of the Solid Waste Operation is in the public's interest. Chapter 189 only requires a determination to occur for utility purchases; however, District Management believes the determination is critical for the Board and public to have the information provided because of the major expenditure by a governmental entity. Ms. Tutt stated she would not review the agenda item in its entirety but advised:

1) The entity's available income and expense statement; 2) the entity's available balance sheet and 3) the entity's statement of the existing base rate was reviewed and utilized by PRMG and Fishkind for the valuations.

4) The physical condition of the facilities are only dumpsters which are in very good condition and a review of a number of the dumpsters has been conducted by District Management.

5) As it pertains to the reasonableness of the purchase or contract price and terms; the owners of the Solid Waste Operations and the District each secured independent appraisals that were performed and if the difference between the two (2) appraisals was less than 5% it would be lowest price; if the difference was greater than 5% the price was determined by an averaging of the two (2) valuations which is what occurred. Depending upon the actions taken by Marion County Board of County Commissioners (MCBOCC) at their December 18, 2012 meeting, if the Marion County Development Order expires in 2023 the averaged acquisition price would be \$50,558,809.00 or if Marion County extends the Development Order until 2042, the full term of the 30 year bond, the averaged acquisition price would be \$52,811,972.00. The State of Florida Community Affairs Department has approved and recommended the extension of the Development Order; however, the final approval will be made by the MCBOCC. Ms. Tutt stated should the Development Order not be extended the bond will be structured to provide a reduced payment from 2023 until 2042. The bonds will be sold on December 19, 2012 once the sale price has been finalized.

6) As it pertains to the impacts of the purchase, sale or privatization the contract on customers will remain the same or improved. As a governmental entity, NSCUDD is not profit motivated and will make all necessary considerations to keep the rates as low as possible.

7) Staff is not anticipating any additional investment; however, the purchase is structured much like the District's purchase of North Sumter Utility (NSU) and Villages Water Conservation Authority (VWCA) and has a guaranteed customer based.

8) The alternatives to the purchase or sale and the potential impact on customers if the purchase or sale is not made is that the solid waste operations could continue to operate under private ownership the customer base would not benefit from a governmental entity operating the operations which can eliminate or reduce certain costs incurred under private ownership. The District will pay a lower rate of interest on the borrowed funds, and will not pay certain taxes and assessment currently paid by a private organization and the District would not have the profit motive.

9) The ability of the purchaser to provide and maintain the high-quality and cost-effective service has been displayed with the District's past experience with Operations Management International (OMI) through the cost savings achieved utilizing the District's cost allocation process.

Ms. Tutt stated based on the findings listed above, District Management believes the purchase of the Sold Waste Operations is in the public's best interest.

Vice Chairman Gibbons stated the District has extensive experience working with OMI as the management service of the utility system; however, is the District aware of any issues that may exist as it relates to the collection of solid waste. Ms. Tutt stated the District currently provides the billing and collection for Sumter Sanitation; therefore, the District is very familiar with the operations and the transfer of ownership process will be seamless. Because the District provides the collection services the residents would contact our Customer Service Department if any issues were to occur; however, the District does not receive regular issues. Periodically, the District will receive communication from a resident that a specific street or home may have been missed which OMI addresses in a very timely manner. David Miles, Finance Director, concurred that he confirmed with the District's Customer Service Manager that very few complaints are received and the solid waste services have not been a concern over the past few years. Ms. Tutt stated the District has requested the operating policies and procedures from OMI and will meet to review the documents and ensure the transition is seamless.

Mr. Miles advised Staff will begin the process of establishing a separate fund for the solid waste operations which will require opening bank accounts.

Vice Chairman Gibbons requested Staff come back to the Board to advise how the expectations of the services provided by OMI will be measured. Ms. Tutt stated Staff will provide the Board with the requested information.

<p>On MOTION by Charlie Smith, seconded by Diane Spencer, with all in favor, the Board finds that based on the facts presented, it is determined the purchase of the Solid Waste Operations owned by Sumter Sanitation, L.L.C. is in the public interest, the purchase price is reasonable, and the Governing Board Members and District Manager are authorized to take all actions necessary to accomplish the purchase.</p>
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FOURTH ORDER OF BUSINESS: Adoption of Resolution 13-12 authorizing the Issuance of and Awarding Sale of District Revenue Bonds, Series 2012

Ms. Tutt stated on October 23, 2012 the Board approved the Offer to Sell Agreement for Purchase and Sale and subsequently approved the First Amendment to the Acquisition Agreement on November 20, 2012. As previously approved, the District is in the process of issuing the bonds to pay for the acquisition of the solid waste operations. On October 3, 2012 the District adopted Resolution 13-02 which authorized the issuance of revenue bonds to finance the acquisition. Ms. Tutt advised the Resolution presented to the Board today authorizes the issuance and awards the sale of the Revenue Bonds of the principal not to exceed \$55,000,000 and not to exceed Subordinate Revenue Bonds of \$4,000,000. Approved by adoption of Resolution 13-12 is the Master Trust Indenture which sets forth the terms and form of the bonds, establishes the funds and accounts, approves the Contract of Purchase between the seller and the District; approves the Preliminary Official Offering Statement and Official Statement; the delegation to the District Manager to determine the purchase price, as was previously discussed and authorizes the officers of the District, or designees, to take actions necessary in connection with issuance of the bonds which includes the acceptance of the assignments, the documents, papers, agreements, pre-closing and other associated documents.

Mike Williams, District Bond Counsel, stated the Resolution authorizes not exceeding the \$55,000,000 senior bond and \$4,000,000 subordinate bonds. The subordinate bonds only get paid if every other account above this, including the reserve account, is funded. Mr. Williams referred to Section 5 of the Resolution which authorizes the Chairman to execute the bond purchase contract if the parameters set forth are met. Mr. Williams advised the pre-closing for the purchase of the solid waste operation will occur on December 24, 2012. As stated by Ms. Tutt, Resolution 13-12 approves the documents and grants the District Manager the authority to determine the final purchase price based on the information provided. Mr. Williams stated as required by Florida law the District approves via this Resolution to enter into a negotiated sale with Citigroup.

Chairman Davis inquired from District Counsel's perspective, if there are any items the Board should address that have not yet been reviewed and discussed at this point. Mr. Williams stated the Board has been extremely diligent during the purchase process and the Underwriter, Citigroup, is

working through the process to receive a rating on the transaction and possibly bond insurance to achieve the lowest interest rate.

Board Director Smith requested clarification of the purpose for the subordinate bonds. Mr. Williams stated the purchase price is going to be negotiated and the subordinate bond allows you to obtain the purchase price without impacting the current cash flow situation.

Ms. Tutt stated Fitch has indicated a rating of "A" on both the senior and subordinate bonds which District Management is very pleased with.

On MOTION by Charlie Smith, seconded by Diane Spencer, with all in favor, the Board adopted Resolution 13-12 authorizing the issuance of and awarding the sale of its not exceeding \$55,000,000 principal amount of the 2012 Solid Waste Revenue Bonds and its not exceeding \$4,000,000 Subordinate Solid Waste Revenue Bonds for the purpose of acquiring from Sumter Sanitation, LLC its Solid Waste Disposal and Collection Operations.

FIFTH ORDER OF BUSINESS:

Approval of continuation of the Compensating Balance Agreement with Citizens First Bank and the revised distribution balances

Mr. Miles stated this item was presented to the Investment Advisory Committee (IAC) at their October 25, 2012 meeting for review and consideration and is now being brought to the Boards for approval. Staff has completed the necessary review and analysis of the Compensating Balance Agreement and the conclusion was the existing agreement with Citizens First Bank works very favorable for all Districts. Mr. Miles stated the agreement provides for a compensating balance of \$6,175,000 distribution among the Districts. As additional Districts or funds are added the amount of the compensating balance agreement does not increase but the distribution among the Districts and funds compensating balance portion may adjust annually. Because of the increased economic impact on the banking system NSCUDD's distribution has increased therefore the District's compensating balance has increased as it has for Districts 4, 8, 9 and 10. The remaining District's will see a reduction to their compensating balance distribution.

Board Director Smith requested Mr. Miles provide an overview for the purpose of the redistribution. Mr. Miles stated a very detailed analysis was completed for all Districts based on the number and cost of transactions completion.

On MOTION by Charlie Smith, seconded by Diane Spencer, with all in favor, the Board approved the continuation of the Compensating Balance Agreement with Citizens First Bank and the revised distribution of balances among Districts and Funds as Shown on Enclosure 2.

SIXTH ORDER OF BUSINESS: Staff Reports

Ms. Tutt stated the District has their regular monthly meeting scheduled for Tuesday, December 18, 2012 at 8:00 a.m.; however, at this point Staff does not believe there will be any pending items to address and inquired if the Board chose to do so, could cancel the meeting. Ms. Tutt advised the Board's next regularly scheduled meeting will be held on Tuesday, January 15, 2013 at 8:00 a.m.

Mr. Miles requested the Board include approval to establish the necessary bank accounts for the Solid Waste Fund.

On MOTION by Charlie Smith, seconded by Diane Spencer, with all in favor, the Board cancelled the regularly scheduled Board Meeting for December 18, 2012 at 8:00 a.m. and directed Staff to establish the necessary bank accounts for the Solid Waste Fund and authorized the Chairman or Vice Chairman to execute the necessary documents.

SEVENTH ORDER OF BUSINESS: Board Director Comments

Board Director Smith shared the following thoughts with the Board, "Two church assistants were discussing their pastor's penny pinching ways, one said to the other, when he dies if he sees a light at the end of tunnel he'll probably try to turn it out." The second is as follows, "The preacher told me the other day that I should be thinking about the hereafter, I told him I do all the time, no matter where I am in the parlor, upstairs, in the kitchen or in the basement I'm always asking myself 'what I'm here after'."

Board Director Greulach commended Staff and the Consultants for their efforts. The Board concurred and thanked Staff for their diligence on behalf of the District.

EIGHTH ORDER OF BUSINESS: Adjourn

The meeting was adjourned at 9:56 a.m.

On MOTION by Charlie Smith, seconded by Diane Spencer, with all in favor, the Board adjourned the meeting.

Janet Y. Tutt
Secretary

Gary Davis
Chairman